

SANTA CLARA COUNTY

Audit Report

ABSENTEE BALLOTS PROGRAM

Chapter 77, Statutes of 1978; Chapter 920,
Statutes of 1994; and Chapter 1032, Statutes of 2002

July 1, 2000, through June 30, 2003



STEVE WESTLY
California State Controller

June 2005



STEVE WESTLY
California State Controller

June 30, 2005

John V. Guthrie
Director of Finance
Santa Clara County
County Government Center, East Wing
70 West Hedding Street, 2nd Floor
San Jose, CA 95110

Dear Mr. Guthrie:

The State Controller's Office audited the claims filed by Santa Clara County for costs of the legislatively mandated Absentee Ballots Program (Chapter 77, Statutes of 1978; Chapter 920, Statutes of 1994; and Chapter 1032, Statutes of 2002) for the period of July 1, 2000, through June 30, 2003.

The county claimed \$2,398,489 for the mandated program. Our audit disclosed that \$2,379,205 is allowable and \$19,284 is unallowable. The unallowable costs occurred primarily because the county overclaimed its salaries and benefits. The State paid the county \$673,626. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,705,579, contingent upon available appropriations.

If you disagree with the audit finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at COSM's Web site at www.csm.ca.gov (Guidebook link), and obtain IRC forms by telephone at (916) 323-3562 or by e-mail at csminfo@csm.ca.gov.

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

Original Signed By:

VINCENT P. BROWN
Chief Operating Officer

VPB:JVB/ams

cc: (See page 2)

cc: David G. Elledge
 Controller-Treasurer
 Santa Clara County
Ram Venkatesen
 SB 90 Coordinator
 Santa Clara County
Jesse Durazo
 Registrar of Voters
 Santa Clara County
James Tilton, Program Budget Manager
 Corrections and General Government
 Department of Finance

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Audit Report

Summary

The State Controller's Office (SCO) audited the claims filed by Santa Clara County for costs of the legislatively mandated Absentee Ballots Program (Chapter 77, Statutes of 1978; Chapter 920, Statutes of 1994; and Chapter 1032, Statutes of 2002) for the period of July 1, 2000, through June 30, 2003. The last day of fieldwork was August 2, 2004.

The county claimed \$2,398,489 for the mandated program. The audit disclosed that \$2,379,205 is allowable and \$19,284 is unallowable. The unallowable costs occurred primarily because the county overclaimed its salaries and benefits. The State paid the county \$673,626. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,705,579, contingent upon available appropriations.

Background

Election Code Section 3003 (added by Chapter 77, Statutes of 1978, and amended by Chapter 920, Statutes of 1994) requires absentee ballots to be available to any registered voter without conditions. Prior law required that absentee ballots be provided only when the voter met one of the following conditions: illness; absence from precinct on election day; physical handicap; conflicting religious commitments; or residence more than ten miles from the polling place.

Election Code Section 3024 (added by Chapter 1032, Statutes of 2002, effective September 28, 2002) prohibits local agencies from fully or partially prorating their costs to school districts. Therefore, the law excludes school districts, county boards of education, and community college districts from claiming costs under the mandated Absentee Ballots Program when they do not administer their own elections. However, school districts that administer their own elections are eligible claimants on or after September 28, 2002.

On June 17, 1981, the Board of Control (now the Commission on State Mandates [COSM]) determined that Chapter 77, Statutes of 1978; Chapter 920, Statutes of 1994; and Chapter 1032, Statutes of 2002; imposed a state mandate reimbursable under *Government Code* Section 17561.

Parameters and Guidelines establishes the state mandate and defines reimbursement criteria. COSM adopted *Parameters and Guidelines* on August 12, 1982, and last amended it on February 27, 2003. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs, to assist local agencies and school districts in claiming reimbursable costs.

**Objective,
Scope, and
Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Absentee Ballots Program for the period of July 1, 2000, through June 30, 2003.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, not funded by another source, and not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Section 17558.5. We did not audit the county's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the county's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Our audit disclosed an instance of noncompliance with the requirements outlined above. This instance is described in the accompanying Summary of Program Costs (Schedule 1) and in the Finding and Recommendation section of this report.

For the audit period, Santa Clara County claimed \$2,398,489 for costs of the Absentee Ballots Program. Our audit disclosed that \$2,379,205 is allowable and \$19,284 is unallowable.

For fiscal year (FY) 2000-01, the State paid the county \$341,580. Our audit disclosed that \$751,137 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$409,557, contingent upon available appropriations.

For FY 2001-02, the State paid the county \$332,046. Our audit disclosed that \$862,812 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$530,766, contingent upon available appropriations.

For FY 2002-03, the State made no payment to the county. Our audit disclosed that \$765,256 is allowable, which the State will pay, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on March 30, 2005. David G. Elledge, Auditor-Controller, responded by letter dated May 3, 2005 (Attachment), disagreeing with the audit results. This final audit report includes the county's response.

Restricted Use

This report is solely for the information and use of Santa Clara County and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original Signed By:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

Schedule 1— Summary of Program Costs July 1, 2000, through June 30, 2003

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments ¹
<u>July 1, 2000, through June 30, 2001</u>			
Salaries	\$ 218,112	\$ 214,546	\$ (3,566)
Benefits	31,581	30,430	(1,151)
Services and supplies	397,918	397,918	—
Subtotal	647,611	642,894	(4,717)
Indirect costs	259,314	254,408	(4,906)
Total cost of absentee ballots	906,925	897,302	<u>\$ (9,623)</u>
Number of absentee ballots cast	÷ 125,462	÷ 125,462	
Cost per absentee ballot cast	\$7.23	\$7.15	
Number of reimbursable absentee ballots	× 105,025	× 105,025	
Total cost of reimbursable absentee ballots	759,193	751,137	
Less reimbursements	—	—	
Amount claimed	<u>\$ 759,193</u>	751,137	<u>\$ (8,056)</u>
Less amount paid by the State		(341,580)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 409,557</u>	
<u>July 1, 2001, through June 30, 2002</u>			
Salaries	\$ 139,575	\$ 137,738	\$ (1,837)
Benefits	19,533	18,948	(585)
Services and supplies	784,722	784,722	—
Subtotal	943,830	941,408	(2,422)
Indirect costs	150,421	148,131	(2,290)
Total cost of absentee ballots	1,094,251	1,089,539	<u>\$ (4,712)</u>
Number of absentee ballots cast	÷ 44,057	÷ 44,057	
Cost per absentee ballot cast	\$24.84	\$24.73	
Number of reimbursable absentee ballots	× 34,889	× 34,889	
Total cost of reimbursable absentee ballots	866,544	862,812	
Less reimbursements	—	—	
Amount claimed	<u>\$ 866,544</u>	862,812	<u>\$ (3,732)</u>
Less amount paid by the State		(332,046)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 530,766</u>	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments ¹
<u>July 1, 2002, through June 30, 2003</u>			
Salaries	\$ 207,221	\$ 204,077	\$ (3,144)
Benefits	32,505	31,313	(1,192)
Services and supplies	424,661	424,661	—
Subtotal	664,387	660,051	(4,336)
Indirect costs	251,137	246,595	(4,542)
Total cost of absentee ballots	915,524	906,646	<u>\$ (8,878)</u>
Number of absentee ballots cast	÷ 98,180	÷ 98,180	
Cost per absentee ballot cast	\$9.32	\$9.23	
Number of reimbursable absentee ballots	× 82,869	× 82,869	
Total cost of reimbursable absentee ballots	772,752	765,256	
Less reimbursements	—	—	
Amount claimed	<u>\$ 772,752</u>	765,256	<u>\$ (7,496)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 765,256</u>	
<u>Summary: July 1, 2000, through June 30, 2003</u>			
Total cost of additional ballots filed	\$ 2,398,489	\$ 2,379,205	\$ (19,284)
Less reimbursements	—	—	—
Amount claimed	<u>\$ 2,398,489</u>	2,379,205	<u>\$ (19,284)</u>
Less amount paid by the State		(673,626)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,705,579</u>	

¹ See the Finding and Recommendation section.

Finding and Recommendation

FINDING— Unsupported salaries, benefits, and related indirect costs

The county overstated employee salaries and benefits by \$11,475 during the audit period. The related indirect costs, based on the claimed indirect cost rate for each fiscal year, are \$11,738.

Unsupported salary and benefit costs, and the related indirect costs, are summarized as follows:

	Fiscal Year			Total
	2000-01	2001-02	2002-03	
Salaries	\$ (3,566)	\$ (1,837)	\$ (3,144)	\$ (8,547)
Benefits	(1,151)	(585)	(1,192)	(2,928)
Subtotal	(4,717)	(2,422)	(4,336)	(11,475)
Related indirect costs	(4,906)	(2,290)	(4,542)	(11,738)
Audit adjustment	<u>\$ (9,623)</u>	<u>\$ (4,712)</u>	<u>\$ (8,878)</u>	<u>\$ (23,213)</u>

The county overstated its costs because claimed productive hourly rates were overstated. The productive hourly rate consisted of two factors: annual average countywide productive hours and salary costs.

In calculating the countywide productive hours, the county included unallowable deductions for training and authorized break time. The county deducted estimated training time based on hours required by employees' bargaining unit agreements and/or continuing education requirements for licensure/certification rather than actual training hours attended. Furthermore, deducted training hours benefit specific departments' classifications rather than those of all departments. For fiscal year (FY) 2002-03, the county introduced a training code under its current automated payroll system to track employees' training hours. The county claimed that the training hours charged to this code were actual time spent by employees attending non-program-related classes. However, the county was unable to substantiate the excluded training hours with any supporting documentation. Further, it was unclear whether the training classes attended were program- or non-program-related.

For the entire audit period, the county also deducted authorized break time rather than actual break time taken. The county did not adjust for training time and break time directly charged to program activities during the audit period. Therefore, the county cannot deduct training and authorized break time from productive hours.

Consequently, the productive hourly rate used in the claim did not reflect actual costs. The adjustment is based on the SCO's recalculation of the productive hourly rate.

Parameters and Guidelines allows only reimbursement of actual increased costs incurred for making absentee ballots available to any registered voter and states that all costs claimed must be traceable and supported by source documents that show the validity of such costs.

Guidance in developing the productive hourly rate is provided in the SCO's *Mandated Cost Manual for Local Agencies*. This manual states that a productive hourly rate may be computed for each job title (rather than for each individual) for which labor is directly related to claimed reimbursable costs.

Recommendation

We recommend the county develop and implement an adequate recording and reporting system to ensure that all claimed costs are properly supported and reimbursable for the mandate in question.

County's Response

The State Controller's draft audit report about the County's SB 90 program-Absentee Ballots states:

In calculating the countywide productive hours, the county included unallowable deductions for training and authorized break time. The county deducted estimated training time based on hours required by employees' bargaining unit agreements and/or continuing education requirements for licensure/certification rather than actual training hours attended. Furthermore, deducted training hours benefit specific departments' classification rather than all departments. For fiscal year (FY) 2003, the county introduced a training code under its current automated payroll system to track employees' training hours. The county claimed that the training hours charged to this code were actual time spent by employees attending non-program related classes. However, the county was unable to substantiate the excluded training hours with any supporting documentation. Further it was unclear whether the training classes attended were program-or non-program related. In addition the county deducted authorized break time rather than actual break time taken. The county did not adjust for training time and break time directly charged to program activities during the audit period; therefore, the county cannot exclude those hours from productive hours.

For the entire audit period, the county also deducted authorized break time rather than actual break time taken. The county did not adjust for training time and break time directly charged to program activities during the audit period. Therefore, the county cannot deduct training and authorized break time from productive hours.

Response

We note that compared to the previous audit reports, there is a welcome change now that the audit finding is not the non-allowability of the policy of countywide productive hours but is limited to the treatment and documentation for training and break time only. Thank you for accepting the countywide productive hour policy. Consequently, we will only discuss the two specific issues of documentation for training time and break.

The County implemented the countywide calculation of productive hours in FY 2000-01. Claims filed for that fiscal year were based on calculations that included training time received by employees and reported by County departments, based on collective bargaining agreements or rosters related to actual training sessions that were conducted. Break-time was similarly calculated, based on requirements

of collective bargaining agreements and State law. For all subsequent fiscal years, the County modified the automated payroll system to capture actual hours of training by individual employee for all County departments.

The county's policy for reporting training time is only related to non-program training. Departments have been advised to exclude program-related training from the pay period data reporting. We explained this to the state audit staff. We also explained that the payroll section can only maintain the total time spent and reported by each department. The analysis as to whether they were program-related or not is done in the departments. We told the state audit staff to check this issue in the departments if they wished. All data and records required for the audit were produced.

On the issue of reporting actual break-time taken by employees, our automated payroll system could accommodate such a change; but the additional time and cost of recording such information would exceed the value of the information obtained. This information can readily be determined by simple calculation. This conclusion is consistent with OMB A-87 cost allocation principles, which limit the effort expected of state and local governments to calculate indirect costs when such costs are "... not readily assignable...without effort disproportionate to the results achieved." In the case of daily break-time required by both State law and collective bargaining agreements, the recording of actual break-time twice daily by more than 15,000 employees during 250 workdays per year would not result in the determination of a materially different amount of actual time taken than could be readily calculated pursuant to the 30 minute daily standard specified by the collective bargaining agreements. The cost of doing this would be prohibitive. Because the County has directed all employees (Attachment A) to limit the daily reporting of hours worked to 7.5 hours when preparing SB 90 claims, the effect of not allowing the County to exclude one-half hour per day break-time from the productive hour calculation would be to increase the hours charged to SB 90 claims by the same one-half hour per day for all claims involving full-day charges. As stated in the case of training time earlier, the break time on days when the staff work exclusively on specific programs is not included in the break time for this purpose.

We previously clarified these issues in response to an email dated February 6, 2004 from the Audit Division of the State Controller's Office. The email stated that the State would accept the usage of a countywide productive hourly rate with certain conditions (Attachment B). That email raised the same issues raised in this audit report. For your reference the email from the Audit Division of the State Controller's Office dated February 6, 2004 is reproduced below.

Copy of email dated February 6, 2004 from Jim Spano to the County of Santa Clara

Ram,

I reviewed the county's proposal dated December 19, 2001, to use countywide Productive hours and have discussed your analysis with my staff and Division Of Accounting and reporting staff. The use of countywide productive hours Would be acceptable to the State Controller's Office provided all employee Classifications are included and productive hours are consistently used for All county programs (mandated and non-mandated).

The SCO's Mandated Cost Manual (claiming instructions), which includes Guidelines for preparing mandated cost claims, does not identify the time Spent on training and authorized breaks as deductions (excludable components) from total hours when computing productive hours. However, if a county chooses to deduct time for training and authorized breaks in calculating countywide productive hours, its accounting system must separately identify the actual time associated with these two components. The accounting system must also separately identify training time directly charged to program activities. Training time directly charged to program activities may not be deducted when calculating productive hours.

The countywide productive hours used by Santa Clara County were not consistently applied to all mandates for FY 2000-01. Furthermore, countywide productive hours used during the audit periods include unallowable deductions for time spent on training and authorized breaks. The county deducted training time based on hours required by employees' bargaining unit agreement and continuing education requirements for licensure/certification rather than actual training hours taken. In addition, the county deducted authorized break time rather than actual break time taken. The county did not adjust for training time and break time directly charged to program activities during the audit period, and therefore, cannot exclude those hours from productive hours.

If you would like to discuss the above further, please contact me.

Jim "Spano"

We responded to all the issues raised by Jim Spano. We use the countywide productive hours policy for non-SB90 programs, as suggested by Jim Spano in Para 1. Further, before the introduction of the countywide productive hour policy in the County of Santa Clara in our letter of December 27, 2001, we noticed (Attachment C) the State Controller that the County was electing to change its SB 90 claiming procedures for the calculation of productive hourly rates. The County reported that the switch to a countywide methodology for the calculation of average countywide productive hours per position would improve SB 90 claiming accuracy, consistency, and documentation and facilitate the State audit function. Consequently, more than 50 claims have been submitted and accepted during the past two years using this countywide methodology.

We advised state audit staff and provided a copy of the County's letter dated December 27, 2001 and explained our understanding of the SB 90 instructions pertaining to the calculation of productive hours. The State auditors were unable to provide any written State procedures, regulations or other legal authority to refute our interpretation of Section 7 of the State Controller's SB 90 Claiming Instructions for Cities, Counties and Special Districts.

We respectfully request you to reconsider your findings on the usage of countywide productive hour policy and recalculate the numbers in the report to allow all the costs in this claim.

Attachments A,B and C.

SCO's Comment

The fiscal impact of the findings reported in the draft report remains unchanged. The county may use countywide productive hours provided that all employee classifications earn benefits and the productive hours are consistently used for all county programs. Countywide productive hours should exclude employee classifications that do not earn benefits.

The countywide productive hours include unallowable deductions for time spent on training and authorized breaks.

Training Time

The county's response acknowledges that training time claimed for FY 2000-01 claims was estimated, based on collective bargaining agreements or rosters related to actual training sessions that were conducted. The county states that, beginning in FY 2001-02, the payroll system was modified to capture actual hours of training and that only non-program training was recorded. However, documentation obtained during the audit indicates that training time for FY 2001-02 was also estimated, based on collective bargaining agreements or rosters related to actual training sessions that were conducted. We concur that the county's payroll system was modified to capture actual hours of training in FY 2002-03. The accounting system does not separately identify training time directly charged to program activities. In addition, evidence gathered during the audit indicates that program-related training was included in pay-period data reporting. In a county memo dated June 10, 2002, to department payroll, personnel staff, service centers, and timekeepers, county departments are advised to use the new training code to report training hours. The memo goes on to state, "the hours that the employee is away from his/her normal productive work is the key for reporting the hours regardless of the type of training or if the training is mandatory or non-mandatory." This does not support the contention that only non-program related training was recorded in the county's payroll system. In addition, the Registrar of Voters Office did not provide any documentation supporting the claim that program-related training was tracked separately and that such training was not subsequently reported within the county's payroll system.

Break Time

The SCO's claiming instructions, which include guidelines for preparing mandated cost claims, do not identify time spent on authorized breaks as deductions (excludable components) from total hours when computing productive hours. The county's accounting system did not separately account for actual break time taken. Limiting daily reporting of hours worked to 7.5 hours does not address instances in which staff works less than eight hours a day, nor does it ensure consistency of application to all programs (mandates and non-mandates).

The development of productive hours based on estimated costs is not consistent with Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. If the county chooses to deduct actual break time taken in calculating productive hours, its accounting system must separately identify the actual break time taken.

**Attachment—
County's Response to
Draft Audit Report**

County of Santa Clara

Finance Agency
Controller-Treasurer Department
County Government Center
70 West Hedding Street, East Wing, 2nd Floor
San Jose, California 95110-1705
(408) 299-5200 FAX (408) 289-8629



DATE: May 3, 2005

TO: Jim L. Spano
Chief, Compliance Audits Bureau,
State Controller's Office, Division of audits,
Post Office Box 942850,
Sacramento, CA 94250-5874

FROM: David G. Elledge
Controller-Treasurer

RE: SB90 mandate-Absentee Ballots Program-Response to Draft audit report

Summary

Thank you for the audit report on the SB90 State Mandated Costs claim of the legislatively mandated Absentee Ballots Program (Chapter 77, Statutes of 1978; Chapter 920, Statutes of 1994; and Chapter 1032, Statutes of 2002) for the period of July 1, 2000 through June 30, 2003.

The one audit finding relates to unsupported salaries, benefits and related indirect costs for 2000-01 through 2002-03 arising out of the usage of Countywide Productive hour rate. This issue of Countywide Productive hours was replied to in all responses to State audit reports on other programs. We adopt our earlier responses on the issue of countywide productive hourly rate. Please reconsider the disputed audit finding in view of our reply; we respectfully request that you rework the numbers in the report.

Finding and Recommendation

Finding - unsupported salaries, benefits and related indirect costs

The State Controller's draft audit report about the County's SB 90 program-Absentee Ballots states: -

In calculating the countywide productive hours, the county included unallowable deductions for training and authorized break time. The county deducted estimated training time based on hours required by employees' bargaining unit agreements and /or continuing education requirements for licensure/certification rather than actual training hours attended. Furthermore, deducted training hours benefit specific departments' classification rather than all departments. For fiscal year (FY) 2003, the county

introduced a training code under its current automated payroll system to track employees' training hours. The county claimed that the training hours charged to this code were actual time spent by employees attending non-program related classes. However, the county was unable to substantiate the excluded training hours with any supporting documentation. Further it was unclear whether the training classes attended were program-or non-program related. In addition the county deducted authorized break time rather than actual break time taken. The county did not adjust for training time and break time directly charged to program activities during the audit period; therefore, the county cannot exclude those hours from productive hours.

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Response

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recording of actual break-time taken twice daily by more than 15,000 employees during 250 workdays per year would not result in the determination of a materially different amount of actual time taken than could be readily calculated pursuant to the 30 minute daily standard specified by the collective bargaining agreements. The cost of doing this would be prohibitive. Because the County has directed all employees (Attachment A) to limit the daily reporting of hours worked to 7.5 hours when preparing SB 90 claims, the effect of not allowing the County to exclude one-half hour per day break-time from the productive hour calculation would be to increase the hours charged to SB 90 claims by the same one-half hour per day for all claims involving full-day charges. As stated in the case of training time earlier, the break time on days when the staff work exclusively on specific programs is not included in the break time for this purpose.

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authorized break time rather than actual break time taken. The county did not adjust for training time and break time directly charged to program activities during the audit period, and therefore, cannot exclude those hours from productive hours.

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Jim "Spano

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We respectfully request you to reconsider your findings on the usage of countywide productive hour policy and recalculate the numbers in the report to allow all the costs in this claim.

Attachments A,B and C.

ATTACHMENT A

Ramaiah Venkatesan

12/19/2001 04:05 PM

To:

alan.minato@sho.co.scl.ca.us, amy.kung@esa.co.scl.ca.us, andy.balance@apd.co.scl.ca.us, Bill Helfman <bill.helfman@bos.CO.Santa-Clara.CA.US>, ctrinh@da.co.scl.ca.us, Champa.Manian@apd.CO.Santa-Clara.CA.US, dhunter@cor.co.scl.ca.us, donna.prochazka@pdo.co.scl.ca.us, isaac_p@pag.co.scl.ca.us, martha.paine@hhs.co.scl.ca.us, mike.rock@cnt.co.scl.ca.us, peter.ng@ceo.co.scl.ca.us, virginia.lee@rov.co.scl.ca.us, lisa.perez@doc.co.scl.ca.us, michael.lipman@era.co.santa-clara.ca.us

cc:

Subject:
hours

Countywide productive

Ram Venkatesan
SB 90 Coordinator
Controller Treasurer's Office
County of Santa Clara
408-299-2541
408-289-8629 Fax

I am attaching the Countywide productive hours calculated for FY00 and FY01 to be used for all new claims , amendment claims FY00 and Annual claims FY 01. The FGOC has approved the usage of Countywide Productive hours as a policy. We have informed our consultants DMG Maximus also. If you have any questions please contact me.
regards , ram venkatesan

After sending the above letter last week, I received a few telephone calls regarding the time charging method to be followed. in view of the usage of countywide productive hours. I would like to clarify the same .

1. As we are removing the informal time off(break time) and other unprouctive hours from the productive hours calculation the time charged to the SB90 programs should be the actual no.of hours when the total no.of hours spent on Sb90 is less than 8 hours a day and if a full day work is charged to SB90 program, it should be restricted to 7.5 hours only . This point was discussed in the workshop meetings also

2.. We will be informing the SCO of the new policy of Countywide productive hours.

Our Consultants Maximus have also been informed of this procedure to be followed. Please call me if you need any further clarifications.



Prod Hrs 99-00 & 00-C



jspano@sco.ca.gov
02/06/2004 03:09 PM

To: Ram.Venkatesan@fin.sccgov.org
cc: cprasad@sco.ca.gov, svanee@sco.ca.gov, mhavey@sco.ca.gov,
glbrummels@sco.ca.gov, mquerin@sco.ca.gov, aluna@sco.ca.gov,
jvenneman@sco.ca.gov
Subject: Countywide Productive Hours

Ram,

I reviewed the county's proposal dated December 19, 2001, to use countywide productive hours and have discussed your analysis with my staff and Division of Accounting and Reporting staff. The use of countywide productive hours would be acceptable to the State Controller's Office provided all employee classifications are included and productive hours are consistently used for all county programs (mandates and nonmandated).

The SCO's Mandated Cost Manual (claiming instructions), which includes guidelines for preparing mandated cost claims, does not identify the time spent on training and authorized breaks as deductions (excludable components) from total hours when computing productive hours. However, if a county chooses to deduct time for training and authorized breaks in calculating countywide productive hours, its accounting system must separately identify the actual time associated with these two components. The accounting system must also separately identify training time directly charged to program activities. Training time directly charged to program activities may not be deducted when calculating productive hours.

The countywide productive hours used by Santa Clara County were not consistently applied to all mandates for FY 2000-01. Furthermore, countywide productive hours used during the audit periods include unallowable deductions for time spent on training and authorized breaks. The county also deducted training time based on hours required by employees' bargaining unit agreement and continuing education requirements for licensure/certification rather than actual training hours taken. In addition, the county deducted authorized break time rather than actual break time taken. The county did not adjust for training time and break time directly charged to program activities during the audit period, and therefore, cannot exclude those hours from productive hours.

If you would like to discuss the above further, please contact me.

> Jim L. Spano, CPA
> Chief, Compliance Audits Bureau
> Division of Audits
> State Controller's Office
> Work - (916) 323-5849
> Fax - (916) 327-0832
>
>

County of Santa Clara

Finance Agency
Controller-Treasurer Department
County Government Center, East Wing
70 West Hedding Street
San Jose, California 95110-1705
(408) 299-2541 FAX 289-8629

ATTACHMENT C.



December 27, 2001

The State Controller's Office
Attn: Local Reimbursements Section
Division of Accounting and Reporting
P. O. Box 942850
Sacramento, CA 94250

Subject: Countywide Productive Hourly Rate for SB90 Claims

The Santa Clara County has decided to use the countywide effectively hourly rate in calculating the direct labor costs for its future SB90 claims. The methodology used by the County in determining the countywide effective hourly rate is consistent with the guidelines issued by the State Controller's Office in the 'SB90-Mandated Cost Manual for the Counties'. Developing a countywide effective hourly rate will standardize the County's approach, minimize duplication of effort presently expended making these calculations, and improve the accuracy and documentation related to the calculation of the productive hour rates.

The State Manual suggests the following three methods for determining the productive hours and gives the counties an option to use any of these methods:

- a. Actual annual productive hours for each job title;
- b. Countywide average annual productive hours; or
- c. The standard annual 1800 hours. The State Controller included the following items in determining the standard 1800 hours:
 - Paid holidays
 - Vacation earned
 - Sick leave taken
 - Informal time off
 - Jury Duty
 - Military leave taken

Prior to developing the productive hourly rate calculations, our Management Auditor (Roger Mialocq) contacted the State Controller's Bureau Chief for Compliance Audits (Jim Spano) to see if there were any objections to the countywide productive hourly rate usage. Mr. Spano concurred that the countywide hourly rate will result in a more efficient, less costly and more accurate approach.

We have decided to use the countywide effective hours, and have enclosed for your review, analysis of actual hours for all county employees and the calculation of the countywide productive hours for the fiscal years 2000 and 2001. For this, we have used the information on actual hours expended during the fiscal year with data extracted from the county's computerized payroll (People Soft) system. We will amend the SB90 claims for fiscal year 2000, and will prepare all future SB90 claims using this methodology.

Please review the enclosed schedules and provide us with your immediate response. Complete supporting working papers are available at our office and will be made available upon your request. We will submit the details with each claim submitted.

If you need more information, please contact the County's SB90 Coordinator, Mr. Ram Venkatesan, at (408) 299-5214 or by email ramaiah.venkatesan@fin.co.scl.ca.us

Sincerely,



David G. Elledge
Controller-Treasurer

Encl:

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, California 94250-5874**

<http://www.sco.ca.gov>